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Regents Hear Presentation on Stelly Plan

State Representative Vic Stelly (R-Moss Bluff) presented his case for the adoption of the proposed "Stelly Plan" to the Louisiana Board of Regents for Higher Education today at the Regents' regular monthly meeting. Constitutional Amendment #2, now known as the "Stelly Plan" because of the legislator's role in championing the measure, is essentially a proposal to swap Louisiana's temporary but regularly-renewed sales tax on food, drugs and household utilities for higher income taxes for certain segments of the state's population.

"This is important to [the Regents] because funding is critical to Louisiana higher education," Stelly said, adding that despite the connection of his name with the proposal, the plan is hardly his idea.

"The Louisiana Law Institute assembled some of the best and brightest in Louisiana - academicians, tax accountants and tax attorneys, experts in the fields of economics, revenue and taxation from across the state - to come up with a plan to fix Louisiana's revenue system," Stelly said. "This plan was their answer. They drew up the play; I'm just carrying the ball."

According to Stelly, Louisiana is fourth in the nation in overall sales tax rates, but only 40th in personal income tax rates (of the 43 states which have a personal income tax). Moreover, he said, the state has no significant property tax base, as compared to most other states.

Stelly explained that, in response to the 1986 state budget crisis the Legislature enacted a "temporary" sales tax on food and utilities to fill the revenue gaps brought on by a sharp and lingering reduction in the prices of oil and gas, on which Louisiana depended for as much as half

its revenue. The temporary tax has been renewed every two years since then. Stelly said his plan will eliminate the need for what he sees as an onerous tax burden on the poor and give Louisiana a dependable and consistent revenue base, emphasizing to Regents members that such stability is necessary to sustain Louisiana's recent success in higher education enhancement.

"Now I don't want to stutter here," Stelly said. "This will cost some of us some money. It will change our tax brackets. But if you are for fairness, fiscal responsibility and the future of Louisiana, I ask for your support."

Specifically, Stelly explained that the amendment would increase the personal income tax for some 17% of Louisiana's taxpayers. However, according to Stelly, for Louisianians making less than \$60,000 per year (about 83% of Louisiana taxpayers), income taxes will go down, and for those making between \$60,000 and \$80,000, rates will stay the same. The measure will also disallow duplicating itemized federal tax deductions on state income tax returns.

"If [Amendment #2] passes, it will eliminate unfairness by reducing taxes for those least able to pay, it will eliminate a dumb, fiscally irresponsible tax system, and it will attract business," Stelly said in closing. "Business is much more likely to choose to locate in Louisiana if they know they won't be in the [budget balancing] cross hairs every two years."

After Representative Stelly's presentation, Higher Education Commissioner Joe Savoie thanked the legislator for sharing the information with the Board of Regents, calling him a staunch supporter of Louisiana postsecondary education.

"I commend and applaud you for your long-term service and for standing up for what you believe is right," Commissioner Savoie said.

The Stelly Plan will be before the voters on November 5.